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SIPDIS

DEPARTMENT FOR EUR/CE; PLEASE PASS TO NSC FOR ADAM STERLING

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SUBJECT: THE FIELDS OF FRIENDLY STRIFE: PM CALLS FOR MSZP
PARTY CONGRESS AS SHOWDOWN WITH SZDSZ CONTINUES

REF: BUDAPEST 876 AND PREVIOUS

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

11. (SBU) In a move characterized as desperate by his opponents and clever by his supporters, Prime Minister Gyurcsany has called for an extraordinary session of the Socialist Party Congress on September 27.

12. (C) With his tax plan in limbo (reftel) and calls for his resignation once more in the air, Gyurcsany has challenged the Socialist leadership to support him or submit to "pressure from FIDESZ or pressure from the SzDSz." He has reserved particularly sharp words for the SzDSz, accusing them of putting welfare recipients at risk and of proposing a government of experts in lieu of a serious governing agenda. He has also equated the SzDSz's break with the MSzP with desertion in "the struggle against extremism and intolerance," playing an old card against a new target at a time of rising concern over a series of violent incidents between Roma and non-Roma in rural communities.

MSzP: TIMING IS EVERYTHING

13. (C) Noting the carefully-staged endorsement of Gyurcsany's tax plan by a host of local MSzP officials throughout the week, analysts including Political Capital's Krisztian Szabados believe the PM has timed his move well. MSzP MP Attila Mesterhazy tells us that the tax plan has polled well with the public) though it has not played well with the business community (reftel), and advises that the party had given "no serious consideration" to Gyurcsany's removal "for months." Even so, Mesterhazy confides that the party leadership is frustrated with Gyurcsany's opaque leadership style, commenting that the PM "plans but doesn't govern." Moreover, Mesterhazy admits that many in the party are worried by the PM's questionable decision to "make an issue of the budget" without "any political or constitutional reason" to do so.

14. (C) Szabados and others suggest that Gyurcsany is moving now in order to shore up party support in preparation for a long fall. Although the party congress will officially consider options including early elections or a change of leadership, few doubt that the PM sees only one right answer: a full commitment to win public and parliamentary support for his tax and budget legislation.

SzDSz: DISTINCTION WITHOUT DETAILS

15. (C) The SzDSz's vision is less clear. In a briefing for the diplomatic corps on September 8, party president Fodor offered few specifics regarding the prospective path to a government of experts, a solution even some party leaders regard with disquiet as "contrary to democratic principles." Acknowledging the risks of his current approach, Fodor nonetheless commented that pressing Gyurcsany to stand down is "the least bad option" to address Hungary's "difficult and

dangerous times."

¶6. (C) As he also conceded, this approach could help the SzDSz reestablish an independent identity after years of being perceived as a "Socialist satellite." With polls showing 20 percent of Hungarians identifying themselves as liberals but only 1 percent supporting the SzDSz, Fodor may calculate) as FIDESZ leaders have suggested - that being seen as a change agent is the only way for his party to survive.

FIDESZ: A RING-SIDE SEAT

¶7. (C) FIDESZ continues to bide its time: party insider Karoly Dan tells us that they will be "quiet and patient" as the MSzP and SzDSz continue to spar. He believes that Gyurcsany's call for a party congress is merely a maneuver to buy time, and dismisses the government's strategy as "hoping for a miracle." The result, he concludes, is that people will be "sick of Parliament before it even reconvenes."

THE REELING IS MUTUAL

¶8. (C) Comment: As he did by calling for a quick confidence vote in the fall of 2006, Gyurcsany is likely calculating that the party congress can shore up a bad situation (before it gets worse. Although the party has fallen out of love with the Prime Minister, he believes they will still fall in line in the face of external pressure. Only five votes shy of securing a majority in Parliament for his tax plan and budget proposal, Gyurcsany may also hope that others in the SzDSz will blink even if Fodor does not. Like the

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MSzP, the SzDSz is also improvising as it attempts to maintain a united front, and as events develop a momentum of their own, we sense little detailed planning to match Fodor's depth of feeling. Although self-interest should dictate an accommodation between the two former partners, both sides are doubling down as FIDESZ waits (and Hungary's problems mount. End Comment.

Foley